

AR53

Annual Report
1967

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AMAX
AMERICAN METAL CLIMAX, INC.

Annual Report 1967

683-0474

R. A. BARKER
VICE-PRESIDENT

AMAX EXPLORATION, INC.
535 THURLOW STREET
VANCOUVER 5, B.C.

A SUBSIDIARY OF
AMERICAN METAL CLIMAX INC.



AMERICAN METAL CLIMAX, INC.

Incorporated in the State of New York in 1887
1270 AVENUE OF THE AMERICAS • NEW YORK, N.Y. 10020

The 1968 Annual Meeting of Shareholders
of American Metal Climax, Inc. will be
held May 2, 1968, in the theater of the
Barbizon-Plaza Hotel, 101 West 58th Street,
New York City, at 2:15 P.M. A formal notice
of the meeting, together with a proxy statement
and form of proxy, will be mailed to each
shareholder during the first part of April,
at which time management will request proxies.

Financial Highlights

AMERICAN METAL CLIMAX, INC.

		<u>1967</u>	<u>1966</u>
FOR THE YEAR	Net sales	\$478,260,000	\$572,580,000
	Operating and other income	46,050,000	61,940,000
	Dividend income	18,990,000	20,930,000
	Gain on sale of oil properties, net of taxes ...	3,510,000	—
	Net earnings	56,310,000	65,600,000
	Per common share:		
	Operations and dividends	\$3.46	\$4.35
	Sale of oil properties23	—
	Net earnings	\$3.69	\$4.35
	Dividends declared	29,460,000	29,470,000
	Per common share	\$1.90	\$1.90
	Capital expenditures	80,860,000	78,370,000
	Depreciation and depletion	20,950,000	22,170,000
AT THE YEAR-END	Working capital	\$238,910,000	\$216,910,000
	Total assets	676,670,000	624,730,000
	Notes payable (including current installments)	161,670,000	129,350,000
	Shareholders' equity	416,080,000	387,920,000
	Common shares outstanding	15,350,357	14,835,601
	Number of shareholders	26,900	26,900
	Preferred shares outstanding	140,259	329,451
	Number of shareholders	1,000	1,200
	Number of employees	13,750	14,300

Report to Shareholders

During 1967, strong inflationary tendencies developed, reinforced by pressures for substantial wage increases which inevitably followed. In the primary industries, business began to lag in the middle of the year and strikes disturbed sales and operations in the last six months.

AMAX suffered from serious strikes in its molybdenum, copper and aluminum operations. Slower economic growth and reductions in inventory by customers cut the demand for some company products. These factors combined to reduce sales and earnings for the year below the record high levels of 1966.

Sales in 1967 declined 16% to \$478,260,000 from the 1966 level of \$572,580,000. Net earnings, before gain of \$3,510,000 on the sale of most of our oil properties, were \$52,800,000 or \$3.46 a common share—down from earnings of \$65,600,000 or \$4.35 a common share earned in 1966. Most of the decline in 1967 earnings resulted from reduced sales in our own operations. Dividend income from other companies, located principally in South Africa and South West Africa, declined. However, dividends from Roan Selection Trust in Zambia were approximately the same.

New labor contracts have been negotiated in the aluminum and molybdenum businesses, and with the settlement of the strike at our copper refinery on February 10, 1968, we are pleased to report that all of the company's components have resumed normal operations.

We continued to expand in those minerals related to our existing businesses and have increased activities in some new areas including specialty metals. During the year the company disposed of nearly all operations in precast architectural concrete, and sold the major domestic oil and gas holdings of AMAX Petroleum division.

Capital expenditures of \$81,000,000 in 1967 enhanced the AMAX position as a diversified natural resources development company. These expenditures exceeded the record high levels of the previous two years and brought the three-year total to \$231,000,000. Operations in 1967 did not benefit from a large portion of the capital outlays made during the past three years because of the long lead time required to bring many of our new ventures and major expansions into production.

Work on the third stage of the Intalco primary aluminum smelter in the State of Washington now under way should result in the smelter reaching full production of 228,000 tons per year by late 1968, of which one half will be for AMAX.

The Urad mine was put in operation in Colorado in 1967. When full production is reached during the first half of 1968, this mine will increase the company's molybdenum concentrate capacity by 7,000,000 pounds. Total expenditures at Urad amounted to approximately \$30,000,000.

Other major projects scheduled to start operations in 1968 are the new lead mine, mill and smelter in Missouri and the new aluminum sheet mill in

Illinois. The Mt. Newman iron ore project in Western Australia is on schedule and shipments should start in 1969. Sales of approximately 170,000,000 tons of this ore will be made to major steel companies in Japan and to The Broken Hill Proprietary Company Limited, Australia's large steel producer. A subsidiary of AMAX will handle further development of international markets for Mt. Newman iron ores outside Australia.

Progress was made in preliminary engineering and planning at the Henderson molybdenum orebody, in Colorado. Approximately \$30,000,000 has already been allocated for engineering studies and shaft sinking. It is expected that these studies will be completed in the second half of 1968 from which we hope plans can be developed for the mining of the orebody. During the year the company announced increases in the estimates of proven and probable reserves of this orebody, which now stand at 303,000,000 tons at a grade of 0.49% MoS₂.

In Western Australia, development work continues on a bauxite deposit which appears to have the potential of meeting our long-term requirements for a low cost raw material source of alumina. Successful completion of this project would fulfill a company objective of becoming a completely integrated aluminum producer.

In the search for new areas of growth, AMAX acquired the 50% interest in Carborundum Metals Climax, Inc., formerly held by our partner, The Carborundum Company, and expanded capacity of zir-

conium and hafnium operations. During the past year, uranium activities were increased and a substantial exploration program is being carried out in 1968. We are also taking steps to strengthen the company position in tungsten and vanadium. In early 1968, AMAX purchased an 11% interest in Kawecki Chemical Company, a major producer of master alloys for the aluminum industry as well as other special metals and metallic chemicals.

Exploration continued at a high rate in 1967 on various copper, molybdenum and uranium prospects in the United States and Canada. Active exploration for these and other minerals, including nickel, will be continued principally in North America and in Australia.

Restrictions on capital investments abroad instituted by the United States Government as part of the balance of payments program may interfere in the long run with the development of new mineral deposits by our company outside the United States.

To meet the company's future requirements for overseas capital, a \$25,000,000 issue of 6¹/₄% guaranteed sinking fund debentures of AMAX Holdings, Inc., a wholly-owned financing subsidiary, was sold in Europe by an international group of underwriting firms. We also completed agreements during the year for loans of \$48,750,000 to finance the company's participation in the Mt. Newman iron ore project, and the third primary aluminum potline. All or most of the funds available under these agreements are expected to be borrowed during 1968.

We should like to pay tribute to Frank Coolbaugh for the contributions made by him to the growth of the company over the 34 years of his service with AMAX. During 1967 he resigned as chairman of the board and chief executive officer, but remains a director of the company and a special consultant.

We wish to thank our shareholders, customers and employees for their continued loyalty and support during the periods of adjustments encountered in the past year.

Ian MacGregor

Ian MacGregor
President

March 7, 1968



AMAX Board of Directors and other visitors touring Urad molybdenum mine during dedication ceremonies view North America's largest underground ore crushing plant. First Board meeting outside New York took place in Denver on the day after dedication.



AMAX exploration teams use helicopters and airborne electronic detection equipment to search for mineral deposits in previously inaccessible terrain. Below, helicopter lands supplies to AMAX geologists in remote area of British Columbia.



ALUMINUM | AMAX Aluminum Company sales were adversely affected by strikes at several plant locations in 1967, as well as by a softening in the building-construction and transportation industries. The Cleveland and Chicago plants of Apex Smelting were struck for five months, the foil plant in St. Louis was closed four-and-a-half months and the Niles, Michigan plant of Kawneer Company was shut down for two months. New contracts have been negotiated at all of these facilities.

Sales of the division declined 5% from the record level of the previous year. Strike losses were partially offset by increased sales in several of the units that continued operations.

Operations continued to benefit from the company's entry into primary aluminum production at the 50%-owned Intalco smelter in Bellingham, Washington. Two potlines in full operation through the year ran appreciably higher than their rated capacity of 152,000 tons. A third and final potline, scheduled for production in the latter half of 1968, will bring rated capacity to 228,000 tons of metal. The company's share of aluminum ingot from Intalco will total half this tonnage.

A continuous rod casting and rolling mill rated at 60,000,000 pounds a year has been installed at Intalco, scheduled for operation in 1968. AMAX will use this facility to produce and market redraw rod for the electrical conductor industry.

Construction started in July, 1967 and was well under way during the second half of the year on an aluminum sheet rolling mill in Grundy County, near Joliet, Illinois. Production is scheduled to begin in 1968 and is expected to reach a rated initial capacity of 90,000,000 pounds of wrought aluminum sheet an-

nually in 1969. This major production center extends the company's sheet capacity to virtually the entire range of non-heat-treatable aluminum alloys. The plant supplements present continuous cast sheet operations in Riverside, California and Decatur, Alabama, and will enable AMAX to service most sheet using markets throughout the United States.

Aluminum Mill Products will construct an additional regional fabricating facility in Georgia in 1968 to service demand for prepainted aluminum sheet to the mobile home and travel-trailer markets.

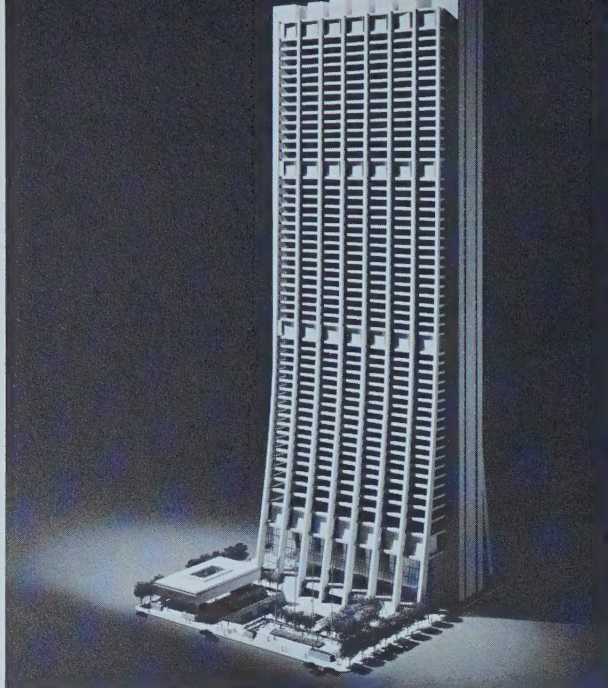
Kawneer maintained its rank as one of the nation's leading producers of high quality architectural aluminum storefronts, entrances, facings, curtain walls and windows. Engineering was completed last year on several new product lines to be introduced in 1968.

At mid-year, an aluminum extrusion facility was opened in Mississippi to service rapidly growing markets in the Southeast and Southwest.

Aluminum Building Products broadened its residential siding line to include aluminum rain carrying equipment, shutters and other building products. Sun Valley Industries added aluminum windows and redesigned its line of sliding glass doors.

In 1968, the company's foil products operations were realigned into AMAX Aluminum Foil Products, combining the foil plant in St. Louis and the foil activities of Aluminum Mill Products in Riverside, California. The industry's first continuous caster for lead and tin foil, built by Hunter Engineering, was installed at the St. Louis plant. A 66-inch Hunter aluminum foil mill will be added in 1968.

Development work continues on a promising bauxite deposit found in 1965 near Port Warrender in



YEAR IN REVIEW CONTINUED

(TOP) *Chicago's First National Bank—second tallest building in city—will use 750,000 pounds of Kawneer aluminum insulated windows.*

(CENTER) *New AMAX Aluminum rolling mill in Illinois will go into operation this spring and will be at initial rated capacity of about 90,000,000 pounds of wrought sheet products annually by 1969.*

(BOTTOM) *Alumina is unloaded at Intalco dock and transported by giant conveyors to plant for conversion into aluminum metal. Most Intalco alumina comes from Australia where AMAX continues development work for bauxite—the basic ore of aluminum.*



the Kimberley area of Western Australia. Test drillings, port surveys and engineering aspects are being studied to determine economics of this project.

Also in Australia, AMAX Aluminum International acquired full interest in its aluminum fabricating subsidiary, Kawneer Company Pty., Limited and completed new production facilities. The International division also completed or expanded new plants at Kawneer de México and Alumex in Mexico and at Mackamax Aluminium Limited in the United Kingdom.

COPPER | The nationwide copper strike, which began July 15, 1967, resulted in a complete shutdown of the company's United States Metals Refining plant at Carteret, New Jersey. This work stoppage which continued throughout the year arrested what had begun as a promising year of operations. A settlement was finally negotiated on February 10, 1968, and the Carteret plant resumed operation.

During the first six months of 1967, U.S.M.R. copper production was at approximately the same monthly rate as in 1966. The company's specialty copper products business maintained its position as an industry leader during the operating period.

The severe copper shortage that had existed in world markets since 1964 eased during early 1967. Consumption slackened in both domestic and foreign markets at a time when, in sharp contrast to the past few years, there were virtually no political or other disturbances in any copper producing areas.

Nevertheless, copper markets did retain a relatively firm undertone because of consumer buying in anticipation of a strike at the plants of U.S. producers. For several months, the impact of the strike was less than expected because of ade-





U.S.M.R. developed process for continuous casting record-sized OFHC brand copper billets. Fabricators can now produce larger forgings and extrusions for electronics and defense markets.

quate inventories, supplemented by heavy imports. Shortages, particularly for certain grades and shapes, became acute only during the latter part of the year.

The effects of the strike are likely to be felt for several months after settlement. Barring unforeseen circumstances, and as normal operations are resumed and production begins, the copper supply-demand picture should become markedly better balanced during 1968 than it has been for some time.

In May and June of 1967, the U.S.M.R. division successfully demonstrated a commercial process to recover the copper content of insulated copper wire. Because this system eliminates the air pollution problem usually associated with burning off of insulation materials, the company is now able to utilize scrap products previously impracticable to treat.

The proposed agreements to mine copper in Puerto Rico, submitted in 1966 to the Puerto Rican Government, were still under study by the Commonwealth authorities at year-end. When the Government approves the lease agreements and company studies have been satisfactorily concluded, a final decision will be made on this project.

A number of promising copper prospects were examined during the year in Canada, the United States, and other parts of the free world. An exploration office was established in Tucson, Arizona, to stimulate exploration for this metal in the southwestern part of the country.

| IRON ORE | In April, 1967, final agreements were signed, financing arranged and construction begun on the Mt. Newman iron ore project in Western Australia.

The project is being developed as an international joint venture in which AMAX holds a 25% participation through a wholly-owned subsidiary, AMAX Iron Ore Corporation. Australian, Japanese and British companies are the other participants.

The project is being managed by Mt. Newman Mining Company Pty. Limited, a wholly-owned subsidiary of The Broken Hill Proprietary Company Limited, one of the Australian participants. Construction is well under way on the 270-mile railroad from the mine site to the port. Also under way is construction of a port to handle ships of 68,000 ton ore capacity. Facilities will be enlarged in the future to load 100,000 ton carriers. Work continues on development of the orebody at Mt. Whaleback, ore handling facilities at the mine and port, and industrial facilities and housing.

Initial production will begin in 1969 to fill orders for 170,000,000 tons of ore already contracted for by major Japanese steel companies and by Broken Hill. AMAX Mineral Sales Corporation, a wholly-owned subsidiary of AMAX, is responsible for worldwide iron ore market development outside Australia.

| IRON POWDERS | Demand for structural parts made from iron powders increased last year but at a somewhat slower rate than in the preceding five years. The industry is expected to resume its rapid growth particularly for metal powder parts used in complex components.

Production at the company's plant in Niagara Falls, New York was slightly below the level of 1966. A considerable portion of 1967 was devoted to converting and expanding facilities at this plant to meet expected increased demand.

Rails are stacked upon arrival at Port Hedland, Australia for construction of 270-mile track between port and Mt. Newman iron ore deposits. Rail line will be completed during 1968.



| LEAD | Construction is nearing completion with start-up operations scheduled for 1968 on the new, fully integrated lead mine, mill and smelter complex in Southeast Missouri, owned jointly by subsidiaries of AMAX and the Homestake Mining Company. Local labor conditions and higher construction costs both delayed this project and added to preproduction costs. However, substantially more ore reserves have been added.

The project brings together the most modern lead mining, milling and smelting technologies available, including trackless mining, underground primary ore crushing facilities and up-draft sintering of lead concentrates. Extensive air pollution control measures to recover sulfur from exhaust gases will include construction of a sulfuric acid plant.

The new smelter is scheduled to begin production in mid-1968 at a rated capacity of more than 100,000 tons of lead annually, half of which will be produced on a toll basis. Arrangements have been made for sale of approximately 56,000 tons annually of by-product sulfuric acid.

| MOLYBDENUM | Sales of molybdenum by the Climax Molybdenum division declined approximately 13% from the record levels in 1966 as the strongly advancing trend of molybdenum consumption during the past several years levelled out and customers, particularly in the United States, reduced abnormally high inventories during the second half of the year.

Free world molybdenum consumption rose to an estimated 112,000,000 pounds in 1967 from 111,000,000 pounds in the prior year, a new high for the fifth consecutive year. In the United States, with steel production down about 5%, molybdenum consump-

Urad mine, located over 10,000 ft. high in heart of Colorado Rockies, produces 7,000,000 pounds of molybdenum per year.



tion fell to an estimated 57,000,000 pounds, from 59,000,000 pounds in 1966. Foreign consumption reached some 55,000,000 pounds, up from 52,000,000 pounds in 1966 with a sharp rise in Japan accounting for the increase.

Despite strikes which closed down the Climax conversion plant in Langeloth, Pennsylvania for five months in 1967 and cut off by-product output of most domestic copper companies for nearly six months, domestic and foreign consumers were adequately supplied throughout the year. Free world mine production, limited by the U.S. copper strike, amounted to 126,000,000 pounds, approximately the same as in 1966. With an additional 2,000,000 pounds released from the U.S. stockpile and a further 1,000,000 pounds imported from Sino-Soviet areas, supply totaled 129,000,000 pounds and exceeded consumption by about 17,000,000 pounds.

Although domestic sales dropped sharply during the second half as customers worked off unusually high stocks, foreign sales were well maintained throughout the year. At the beginning of 1968 domestic demand was brisk again due in part to the protracted copper strike and resultant dropoff in by-product molybdenum production.

Sales by the Refractory Metals division were substantially lower than in the prior year, the result of reduced demand for molybdenum powder and pellets used primarily by producers of superalloys who had accumulated substantial inventories. Demand for arc-cast molybdenum mill products was relatively stronger.

In January, 1967, the Office of Emergency Planning announced a further reduction from 55,000,000 pounds to 40,000,000 pounds in the National Stock-

pile objective for molybdenum. Legislation to authorize disposal of the excess was passed by Congress and signed into law in November, 1967. Including prior authorizations, some 18,000,000 pounds of stockpiled molybdenum were available at year-end for release by the United States Government. Previous disposals from the stockpile aggregated approximately 27,000,000 pounds of molybdenum from 1963 through 1967.

In 1967, the company's Climax, Colorado mine operated at a high level to meet heavy customer demand during the first half and to rebuild its own depleted inventories during the balance of the year. A record 15,400,000 tons of ore were mined (an average of approximately 42,900 tons per day), compared with the previous high of 15,200,000 tons in 1966. Molybdenum production was 58,000,000 pounds compared with 56,300,000 pounds in 1966.

Production from the oxide plant, completed at Climax in 1966 to recover molybdenum from oxide ores, contributed to this total. The plant operated close to its designed annual capacity of 3,000,000 pounds late in the year.

Work continued on development of the third mining level at the Climax mine, from which production will be drawn in 1971 when the Phillipson level of the orebody is depleted.

The new Urad mine and concentrator in Colorado were dedicated in September last year and 325,000 tons of ore were mined during the year, producing some 1,500,000 pounds of molybdenum. Production is scheduled at a rate of 5,000 tons of ore per day and 7,000,000 pounds of molybdenum a year. While ore reserves at the Urad mine are relatively small, it is anticipated that production will be sustained until

the mid-1970's, by which time it should be feasible for the new Henderson deposit in Colorado to be brought into production.

Excellent progress was made in 1967 in the development program for the Henderson deposit. At the end of the year, sinking of the first shaft had reached a depth of 650 feet and was progressing well toward the final depth of 2,410 feet. Preliminary engineering work resulted in a well-defined concept of the necessary mine, haulage, crushing, concentrating and tailing storage facilities for a 30,000 ton per day operation. The present objective is to commence production in the early 1970's and build to a capacity of approximately 50,000,000 pounds of molybdenum per year.

Drilling from the surface permitted re-evaluation of the indicated proven and probable ore reserves from 236,000,000 tons at a grade in place of 0.45% MoS₂, reported originally, to 303,000,000 tons at a grade in place of 0.49% announced September, 1967. It is likely that additional drilling will increase these estimates. Already, the 1.8 billion pounds of contained molybdenum matches the remaining reserves at Climax. It is anticipated that an economic study will be completed during 1968 and a decision made at that time regarding further steps required to bring this property into production.

Operations at the company's Langeloth, Pennsylvania conversion plant were suspended from July 1 through November 24, 1967 by a strike by the United Auto Workers local representing 175 employees. The new labor contract will be in effect until June 30, 1970.

The company's conversion plant in Rotterdam, Holland, which began operations in April, 1966, sup-

plied technical molybdic oxide throughout 1967, to European customers. During the second half, the plant produced considerably above the nominal 12,000,000 pounds annual capacity, ensuring continuity of supply to Japanese and other export customers normally supplied from Langeloth.

In January, 1967, the Climax Molybdenum division raised the price of most of its products by an average of 3.7%.

Stimulated by AMAX research and market development efforts, molybdenum continues to widen its role in advanced materials technology. It imparts to the metals with which it is alloyed the ability to withstand extreme temperature and great stress, to resist corrosion and to wear longer. Thus, molybdenum is being used increasingly in jet engine superalloys, in elevated temperature steels for central station power plants and in high temperature ductile irons. Its use is growing in high-strength structural steels for pressure vessels, bridges, construction machinery, and in stainless steels for process equipment in chemical, and pulp and paper industries. Molybdenum-containing abrasion-resistant alloys are used increasingly for crushing and grinding in the minerals industries. Molybdenum's use is not restricted to alloyed metals. It contributes brilliant colors to certain pigments and dyes. As a Moly sulfide lubricant it combats wear. By catalytically removing sulfur from crude oil it helps to prevent air pollution.

Exploration continued in areas of the free world assumed geologically favorable for molybdenum deposits. Several promising prospects in the Western United States and in Western British Columbia were drilled, but no mineable reserves were established.

Ninth of the Series of Advertisements Appearing In
The Saturday Evening Post Literary Digest Scientific American



WILLS SAINT-CLAIRE
The First ALL Mo-lyb-den-um Steel Car

Mo-lyb-den-um Steel
The American Super Steel

(ABOVE) Climax advertisement of 1920's features Wills Sainte Claire auto as first "all molybdenum steel car." 1968 marks 50th anniversary of startup of Climax mine and subsequent development of molybdenum from "laboratory curiosity" to one of most valuable steelmaking alloys.

(RIGHT) Molybdenum trioxide produced by Climax is added to the "melt" in the electric furnace to give superior corrosion resistance to stainless steel.



ESTIMATED FREE WORLD
MOLYBDENUM CONSUMPTION

	United States	Foreign	Total	AMAX Production of Molybdenum at Climax Mines
	(Millions of pounds of molybdenum)			
1967 ⁽¹⁾	57	55	112	59
1966 ⁽²⁾	59	52	111	56
1965	53	47	100	50
1964	46	44	90	47
1963	42	37	79	47
1962	38	32	70	33 ⁽³⁾

(1) Preliminary (2) Revised (3) Production limited by strike

ESTIMATED USES OF MOLYBDENUM
IN THE FREE WORLD BY
MAJOR INDUSTRIAL CATEGORIES

	1967
Alloy steel (other than stainless and tool steels)	43%
Stainless steel	18
Tool steel (including high-speed steel)	11
Cast iron and steel-mill rolls	10
Chemicals and lubricants	7
Superalloys	6
Molybdenum metal	4
Miscellaneous	1
	100%

PETROLEUM In 1967, the company completed the sale of most of its oil and gas production properties in the United States. Royalty interests in the United States and Canada and producing and non-producing properties in Canada were retained.

The level of exploration and development activities for petroleum was curtailed during 1967 and exploration activities are being concentrated in the North Sea.

During the first quarter of 1968, the Netherlands Government offered the company and its partners licenses covering an area of 1,994 square kilometers in the Netherlands North Sea region. AMAX has an 18.5% participation in these licenses. The company also holds a one-third interest in North Sea oil and gas leases granted by the United Kingdom in 1964, covering 680,000 surface acres. Activity on these leases in 1967 was nominal but is expected to accelerate in 1968.

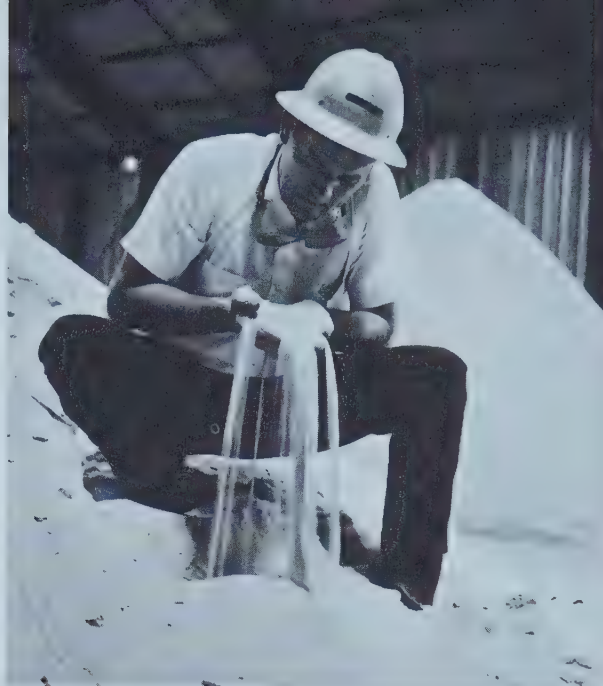
POTASH Domestic industry deliveries of potash increased about 3% over 1966 but fell short of expectations. Adverse weather conditions in the spring and fall through large parts of the country seriously reduced fertilizer sales in many farming areas.

Deliveries of muriate of potash from the company's Carlsbad, New Mexico mine and mill were about equal to 1966. Price weakness in both domestic and foreign markets, however, was reflected in decreased dollar sales for Southwest Potash.

Production of potassium nitrate at the company's Vicksburg, Mississippi plant increased substantially and sales were at a high level throughout the year. Production capacity for this unique fertilizer material was increased by more than 25% to meet growing acceptance by the agricultural community. In addition, new laboratory facilities were installed at Vicksburg to accelerate research and development efforts to upgrade this product.

Development of the company's Bredenbury potash property in Saskatchewan, Canada was held in abeyance during 1967. Economic studies were carried out to evaluate the project in the light of world oversupply and resultant price weakness.

Potassium nitrate fertilizer is produced in crystalline and pellet forms at the Vicksburg, Miss. plant. This unique product increases yields of high quality fruits and vegetables, can be applied directly to crops or blended with other fertilizer materials.



PRECIOUS METALS | AMAX is one of the largest refiners of precious metals in the United States. Production of refined silver and gold obtained as a by-product of copper refining operations and from the treatment of other precious metals materials at the Carteret, New Jersey plant was at a record level until the plant was closed by a strike on July 15. In the pre-strike period, 13,000,000 ounces of silver and 425,000 ounces of gold were produced. Platinum, palladium, iridium, rhodium and ruthenium also were recovered during the year.

TUNGSTEN | Recovery of by-product tungsten at the Colorado mine of Climax Molybdenum Company was 1,400,000 pounds last year, up slightly from 1,300,000 pounds produced in 1966. Tungsten sales, however, were somewhat lower.

At the Canada Tungsten Mine (35%-owned) located in the Northwest Territories of Canada, reconstruction of the mill, which burned in December, 1966 was completed in November last year and normal operations were resumed early in 1968.

URANIUM-VANADIUM | Sales of uranium and vanadium produced by Climax Uranium Company at the company's Grand Junction, Colorado mill last year were approximately 20% under the 1966 level. This decrease results from a lower price received for uranium concentrate under a private sales contract with a nuclear reactor manufacturer. Prior to 1967, all uranium concentrate was sold to the Atomic Energy Commission.

A sharp growth in civilian nuclear power is anticipated in the decade ahead. The Atomic Energy Commission estimates that by 1980 installed nuclear

generating capacity in the United States will be about 150,000 megawatts, up from a current level of 2,800 megawatts. In view of these estimates, uranium fuel requirements are expected to accelerate rapidly.

AMAX operates ten uranium-vanadium producing mines in Western Colorado and Eastern Utah. An increased uranium exploration program has been undertaken. Significant land acreage with potential uranium mineralization was obtained in the Western United States during the past year.

Consumption of vanadium in the United States in 1967 of about 11,000,000 pounds was down slightly from 1966 consumption. In the prior five years, domestic consumption had more than doubled. Strong growth in vanadium consumption is expected, particularly in high-strength low-alloy steels. However, a temporary period of over-capacity is expected to develop in late 1968 when new vanadium mines come into production in South Africa.

ZINC-CADMIUM | Zinc sales by the AMAX Lead and Zinc division exceeded the 1966 level of 92,200 tons, with 93,700 tons sold during 1967. This record tonnage was achieved despite an overall 11.3% decline in domestic zinc consumption due to lagging demand in the automobile, steel, construction and appliance industries. Domestic consumption fell in 1967 to 1,250,000 tons from a record 1,410,000 tons a year earlier. Voluntary cutbacks and lengthy smelter strikes curtailed domestic slab zinc production by 8.9% to 1,011,000 tons.

Heavy imports were more than adequate to make up the difference between domestic consumption and production last year. Zinc concentrates, which are purchased by AMAX from several foreign sources



YEAR IN REVIEW CONTINUED

Rapid growth of nuclear energy has accelerated demand for specialty metals such as zirconium. AMAX is only U.S. company fully integrated from raw material to finished zirconium tubing. Assembled zirconium tubing fuel bundles are prepared for shipment from General Electric plant to nuclear reactor site.

for conversion at the Blackwell smelter in Oklahoma, were in good supply during the year.

AMAX is one of the largest domestic suppliers of Prime Western grade zinc in the United States. The major market for this grade, galvanized steel, was relatively strong during 1967 compared to other segments of the zinc market.

Production increased at the company's 75%-owned Heath Steele lead-zinc-copper mine and mill in New Brunswick, Canada. Ore grade, particularly the zinc content, was appreciably higher. Completion of a drilling program during 1967 resulted in substantial additions to indicated ore reserves. Work on the shaft sinking and mine development program initiated in 1965 was on schedule throughout the year and completion is expected during the second quarter of 1968. In mid-year, custom treatment of ore on a toll basis will cease and the mill will be converted to process the expanded ore production from the Heath Steele mine.

The company is a major producer of cadmium metal and oxide, obtained as a by-product from its Blackwell zinc smelting operations. Sales in 1967 were 1,350,000 pounds, little changed from the prior year and representing about 12% of the total U.S. market. Prices held firm while domestic cadmium production dropped some 17% due to strikes at certain zinc smelters.

| ZIRCONIUM-HAFNIUM | In 1967, AMAX acquired the 50% interest held by its partner, The Carborundum Company, in a joint venture zirconium and hafnium operation, and renamed the wholly-owned subsidiary, AMAX Specialty Metals, Inc.

AMAX Specialty Metals operates plants at Parkers-

burg, West Virginia to produce zirconium sponge and hafnium, and at Akron, New York to fabricate zirconium and hafnium products including seamless tubing, plate, sheet and wire.

Consumption of zirconium products is closely tied to the nuclear industry. Hafnium is used primarily as a control rod material for Navy nuclear reactors.

Zirconium products are used principally in civilian and military reactors as cladding material for the enriched uranium fuel. Since the beginning of 1966, contracts for approximately 50% of new commercial power generating capacity in the United States have been for nuclear power reactors. AMAX is now one of two primary producers of zirconium metal in the United States as well as being integrated from raw material to finished zirconium tubing.

Sales of zirconium products were substantially higher in 1967, reflecting growing markets in nuclear applications and the completion last year of additional fabricating facilities. At the Akron plant, zirconium seamless tubing capacity was tripled to 1,800,000 feet per year and additional facilities were installed for production of flat rolled zirconium and hafnium products.

Zirconium sponge capacity at the Parkersburg plant will be increased 50% by mid-1968 to 1,300,000 pounds per year and engineering studies are now under way to evaluate a further expansion.

African Investments

During most of the 1966-67 fiscal year, the operating companies in the Roan Selection Trust Group in Zambia experienced a shortage of fuel caused largely by transportation difficulties. This shortage forced RST in October, 1966 to reduce production of finished copper to approximately 75% of capacity and to stockpile concentrates which could not be smelted. By the second half of calendar 1967 supplies of fuel had improved and full production of finished copper was resumed. Further fuel difficulties were subsequently encountered, however, and may continue to hamper full production.

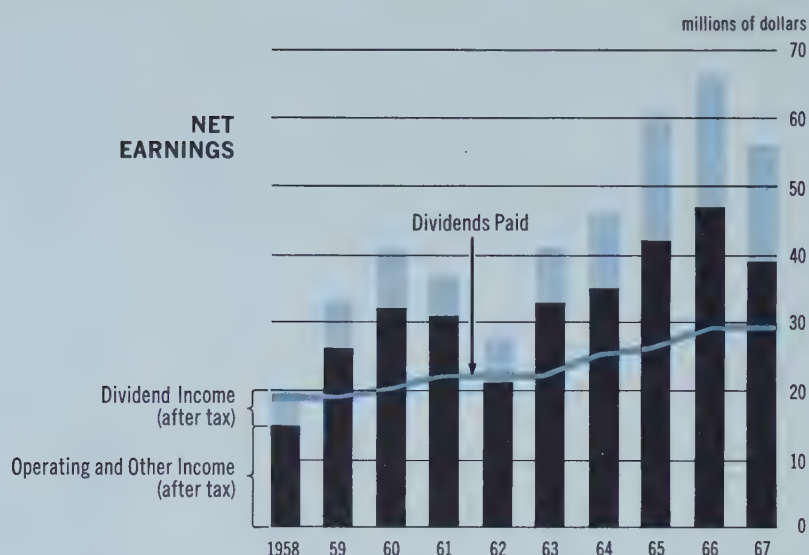
A program under way by RST is expected to bring into production, by the end of 1968, the relatively small but high grade open pit copper mine at Kalengwa in Zambia, 275 miles west of the Copperbelt.

Dividends received in 1967 from Roan Selection Trust Limited approximated those received in 1966, lower production and higher costs at RST's Zambian mines being offset by higher realized prices.

In 1967, RST announced discovery in Botswana of nickel and copper deposits. Exploration and other work continue, and studies to determine their economic viability are being made.

Reductions in 1967 dividends from Tsumeb Corporation Limited, due to lower metal sales and selling prices, and from O'okiep Copper Company Limited, because of lower selling prices and increased operating costs, were partially offset by the first significant dividend paid by Palabora Holdings Limited.

Financial Review



Net earnings in 1967 totaled \$56,310,000 which included \$3,510,000 of nonrecurring earnings resulting from a gain on the sale of the major part of the company's domestic oil properties. Earnings per share of common stock were \$3.69 and included 23¢ applicable to this nonrecurring item. These results compared with net earnings of \$65,600,000 or \$4.35 a share in 1966. This decline was mainly attributable to curtailed operations as a result of strikes, together with lower volume and prices for some products. Dividend income received from other companies also declined from the record high level of 1966.

Net sales of \$478,260,000 in 1967 declined 16% from the previous year. The downward movement which prevailed generally throughout the company was greatest in base metals, where a decline of 30% was experienced as a result of the nationwide copper strike. Sales of molybdenum and specialty metals declined 14%. Aluminum sales were down 5%; sales of agricultural chemicals and petroleum products were 20% lower, due in part to the sale of the oil properties and to price weakness in the potash industry.

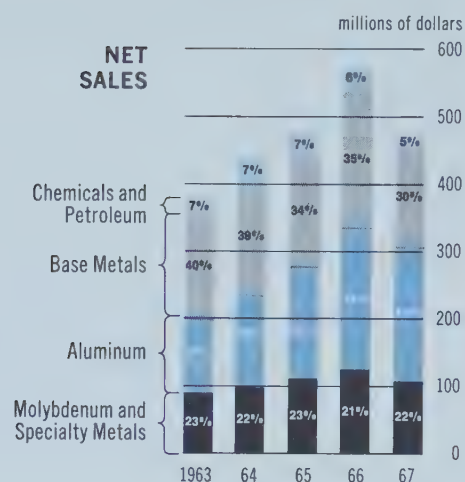
Earnings from operations amounted to \$43,970,000 in 1967 compared with \$60,030,000 in 1966, a reduction of 27%. This represented a decline in the ratio of earnings from operations to sales from 10.5% in 1966 to 9.2% in 1967. Earnings of most company operations were lower as a result of reduced sales arising from conditions previously mentioned. However,

earnings from aluminum operations improved significantly, principally resulting from increased production at the Intalco primary aluminum reduction plant.

Earnings from other sources before taxes and after deduction of interest paid totaled \$21,070,000 in 1967, down 8% from \$22,840,000 earned in 1966. Dividends received from other companies in which AMAX holds minority interests were \$18,990,000, a decrease of \$1,940,000 from 1966 as shown in the schedule on this page. The company's equity in earnings retained by these companies in their 1967 fiscal years is estimated to be 42¢ per AMAX common share, compared with 43¢ a share a year earlier. Interest income and net profit on investments in 1967 was \$8,910,000, a gain of \$880,000 over 1966.

DIVIDENDS FROM AMAX INVESTMENTS IN OTHER COMPANIES

	(In Thousands)	
	1967	1966
In Africa		
Roan Selection Trust Limited	\$ 9,560	\$ 9,580
Tsumeb Corporation Limited	5,690	7,495
O'okiep Copper Company Limited	2,870	3,470
Palabora Holdings Limited	510	—
Miscellaneous	<u>360</u>	<u>385</u>
Total before U.S. tax	\$18,990	\$20,930
Total after U.S. tax	\$17,295	\$18,780



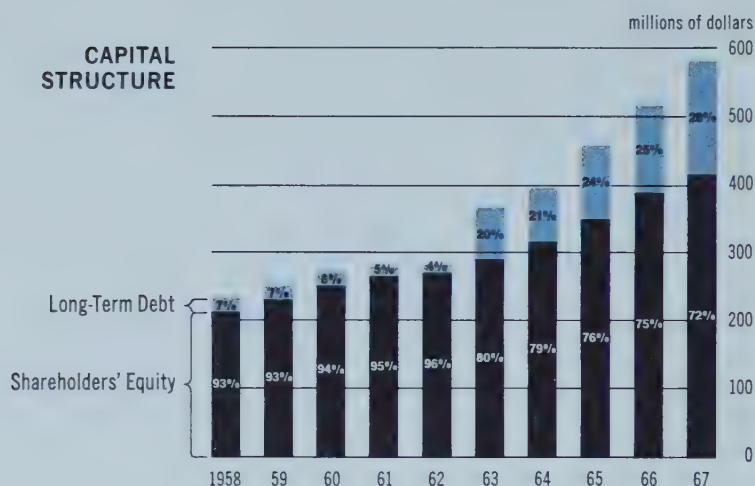
Dividends declared in 1967 totaled \$29,460,000, approximately the same as in 1966. Dividends on common stock totaled \$1.90 per share, the same as in the preceding year and regular quarterly dividends of \$1.0625 were paid on the 4 1/4% convertible preferred stock.

Working capital at December 31, 1967 amounted to \$238,910,000, an increase of \$22,000,000 during the year as shown in the table on this page, represented by a rise in current assets of \$14,800,000 and a decline in current liabilities of \$7,200,000. Cash and short-term investments declined \$3,140,000 from \$143,290,000 at year-end 1966 to \$140,150,000 at the end of 1967. Receivables, less allowances for doubtful accounts, totaled \$78,230,000 at December 31, 1967, a decline of \$650,000 from the previous year-end. Inventories increased \$17,410,000 during the year to \$95,760,000 at December 31, 1967. This change consisted mostly of a buildup of molybdenum resulting from lower sales and the inclusion of inventories of AMAX Specialty Metals, Inc., which became a consolidated subsidiary during 1967. A summary of items included in inventories and the bases for their valuation is shown on page 26. Accounts payable and accrued liabilities aggregated \$55,020,000 at December 31, 1967, a decline of \$9,590,000 from the previous year-end, which was largely due to the curtailment of purchases by operations on strike and the sale of the company's oil properties.

CHANGES IN WORKING CAPITAL

	(In Millions)	
	1967	1966
Working capital January 1	<u>\$216.9</u>	<u>\$211.0</u>
Increases		
Net earnings	56.3	65.6
Depreciation and depletion ..	21.0	22.2
Long-term debt	31.3	17.5
Sale of oil and gas properties	20.2	—
Other increases (decreases) ..	(1.8)	6.6
	<u>127.0</u>	<u>111.9</u>
Decreases		
Dividends declared	29.5	29.5
Expenditures for property, plant and equipment		
Less retirements:		
1967, \$10.8; 1966, \$5.1	70.1	73.3
Investments	5.4	3.2
	<u>105.0</u>	<u>106.0</u>
Net increase	<u>22.0</u>	<u>5.9</u>
Working capital December 31 ..	<u><u>\$238.9</u></u>	<u><u>\$216.9</u></u>

Investments in AMAX Credit Corporation and in 50%-owned companies increased \$8,260,000 during the year to \$18,560,000 at December 31, 1967. This increase resulted primarily from a change in recording the company's investment in the Missouri Lead Project, arising from a reorganization of the corporate structure of the project. Details of these investments, which are valued at the company's equity in the net assets as reported in the financial statements of the companies, are shown on page 26.



Investments in other companies in which AMAX holds minority interests amounted to \$43,490,000 at cost at the end of 1967, compared with \$46,310,000

a year earlier. The following table shows that these investments are carried at substantially less than market value.

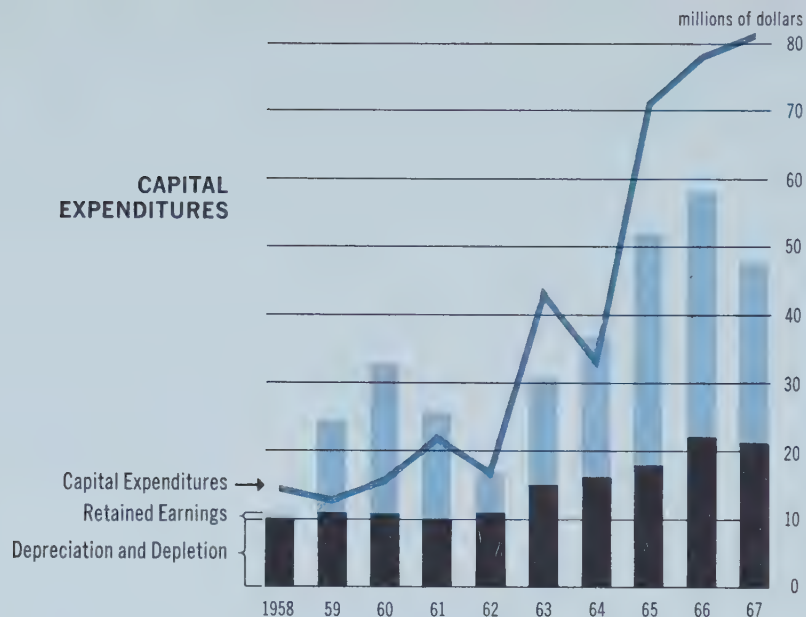
AMAX INVESTMENTS IN OTHER COMPANIES, at December 31, 1967

			(In Thousands)	
	Number of	AMAX		Market
	Shares	Equity	Cost	Value ⁽¹⁾
Listed securities				
Roan Selection Trust Limited	9,521,479	44 ⁰ / ₀	\$25,750	\$ 89,370
O'okiep Copper Company Limited	187,169	18	460	23,770
Copper Range Company	348,399	17	8,650	15,160
Canada Tungsten Mining Corporation, Ltd.	1,750,000	35	1,210	3,890
Other			360	330
Total listed			<u>36,430</u>	<u>\$132,520</u>
Unlisted securities				
Tsumeb Corporation Limited ⁽²⁾	1,167,250	29	840	
Palabora Holdings Limited ⁽³⁾	547,581		770	
Canada Tungsten Mining Corporation, Ltd.	(Note and Debentures)		2,380	
Minera Frisco, S.A.	(Loan and Equity)		1,430	
Other			1,640	
Total unlisted			<u>7,060</u>	
Total investments in other companies			<u>\$43,490</u>	

(1) The company makes no representation that these values, which represent the closing quotations on December 31, 1967, could be realized in the event of a sale of these holdings. The estimated total market value of unlisted securities is substantially in excess of cost.

(2) While there was no quoted market price for Tsumeb Corporation shares, that corporation's earnings for its fiscal year ended June 30, 1967 of \$26,620,000 (\$6.65 per share) indicate that the company's holdings in Tsumeb have a value substantially in excess of cost.

(3) The company's indirect interest in Palabora Mining Company Limited, through Palabora Holdings, amounts to 8%. The computed value of this interest based on market value of the underlying listed Palabora Mining shares amounted to \$27,750,000.



Foreign net assets, excluding investments in other companies as shown on page 20, totaled approximately \$72,000,000 at December 31, 1967. Approximately 48% of this investment was located in Canada with most of the remainder in other United Kingdom and Western European countries. A significant portion of these assets represented exploration, development, and construction projects.

Long-term debt aggregated \$156,850,000 at December 31, 1967, an increase of \$31,320,000 for the year resulting principally from issuance of European debentures of \$25,000,000 and the inclusion of \$6,600,000 debt of Missouri Lead Smelting Company which became a consolidated subsidiary in 1967.

Shareholders' equity at year-end was \$416,080,000 compared with \$387,920,000 at December 31, 1966, an increase of \$28,160,000, most of which represents retained earnings.

Capital stock outstanding at December 31, 1967 amounted to 15,350,357 common shares and 140,259 of the 4¼% convertible preferred shares, held by 26,900 and 1,000 shareholders of record, respectively. In addition, 22,200 common shares were held at year-end in the company's treasury, a decrease of 6,100 shares during the year. Changes in the outstanding stock during 1967 resulted from the transfer of the 6,100 shares from the treasury and the issuance of 35,706 new common shares in connection

with the exercising of stock options granted in previous years, and from the conversion of 189,192 preferred shares into 472,950 full common shares.

Capital expenditures for property, plant and equipment aggregated \$80,860,000 during 1967 and exceeded the previous high of \$78,370,000 expended in 1966. Approximately 70% of total 1967 expenditures related to expansion and modernization of the aluminum and molybdenum businesses and development of iron ore properties. Major capital expenditures will continue to be made in these areas as well as in the copper and lead businesses in 1968 as a part of the company's continuing expansion program.

Ten Year Summary

		1967	1966	1965
FOR THE YEAR (in millions)	Net sales of products and services . .	\$478.3	\$572.6	\$475.0
	Net sales by agency businesses ⁽¹⁾ . .	—	—	—
	Total net sales	<u>\$478.3</u>	<u>\$572.6</u>	<u>\$475.0</u>
	Total earnings excl. dividend income	\$ 49.5	\$ 62.0	\$ 58.9
	Dividend income	19.0	20.9	20.8
	Federal and foreign income taxes . .	(12.2)	(17.3)	(19.6)
	Net earnings	<u>\$ 56.3⁽²⁾</u>	<u>\$ 65.6</u>	<u>\$ 60.1</u>
	Dividends declared:			
	On preferred stock	\$ 0.9	\$ 1.4	\$ 1.8
	On common stock	28.6	28.1	24.3
	Total	<u>\$ 29.5</u>	<u>\$ 29.5</u>	<u>\$ 26.1</u>
	Per share of common stock:			
	Net earnings	\$ 3.69 ⁽²⁾	\$ 4.35	\$ 4.00
	Dividends	1.90	1.90	1.675
AT THE YEAR-END (in millions)	Capital expenditures	\$ 80.9	\$ 78.4	\$ 71.4
	Depreciation and depletion	21.0	22.2	17.5
	Working capital	\$238.9	\$216.9	\$211.0
	Investments (at book amounts):			
	Investments in Africa	28.4	30.9	32.8
	Other investments	33.7	25.7	20.6
	Property, plant and equipment (net)	278.1	249.2	198.1
	Long-term debt	(156.9)	(125.5)	(108.0)
	Other liabilities less other assets . .	(6.1)	(9.3)	(4.5)
	Shareholders' equity	<u>\$416.1</u>	<u>\$387.9</u>	<u>\$350.0</u>

(1) The agency businesses were sold to Roan Selection Trust Limited as of December 31, 1963.

(2) Includes nonrecurring gain on sale of oil properties: \$3,510,000 or 23c per share.

(3) Includes nonrecurring gain of \$3,000,000 or 21c per share, on sale of sales agency businesses, credited to surplus in 1963.

<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1960</u>	<u>1959</u>	<u>1958</u>
\$438.2	\$381.9	\$327.2	\$347.4	\$367.7	\$339.6	\$344.3
—	325.0	315.0	304.0	384.0	407.0	246.0
<u>\$438.2</u>	<u>\$706.9</u>	<u>\$642.2</u>	<u>\$651.4</u>	<u>\$751.7</u>	<u>\$746.6</u>	<u>\$590.3</u>
\$ 45.3	\$ 45.9	\$ 34.6	\$ 45.3	\$ 52.7	\$ 42.9	\$ 22.4
11.7	10.5	8.1	7.4	10.7	8.6	6.5
(11.4)	(15.6)	(14.6)	(15.5)	(22.1)	(18.2)	(9.0)
<u>\$ 45.6</u>	<u>\$ 40.8⁽³⁾</u>	<u>\$ 28.1</u>	<u>\$ 37.2</u>	<u>\$ 41.3</u>	<u>\$ 33.3</u>	<u>\$ 19.9</u>
\$ 1.8	\$ 1.8	\$ 1.8	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
23.1	20.1	20.0	19.9	17.7	17.0	17.0
<u>\$ 24.9</u>	<u>\$ 21.9</u>	<u>\$ 21.8</u>	<u>\$ 21.9</u>	<u>\$ 19.7</u>	<u>\$ 19.0</u>	<u>\$ 19.0</u>
\$ 3.03	\$ 2.71 ⁽³⁾	\$ 1.84	\$ 2.47	\$ 2.77	\$ 2.21	\$ 1.26
1.60	1.40	1.40	1.40	1.25	1.20	1.20
\$ 32.5	\$ 43.3	\$ 17.3	\$ 22.3	\$ 16.1	\$ 13.3	\$ 15.0
16.0	14.7	11.4	10.1	11.2	11.2	10.0
\$188.2	\$175.1	\$130.2	\$133.4	\$134.2	\$117.8	\$ 96.6
32.5	31.3	25.5	25.3	25.0	24.3	24.8
23.6	22.5	21.5	19.5	15.0	16.4	23.4
151.2	132.3	105.6	101.6	94.1	93.3	92.2
(81.4)	(72.9)	(10.0)	(15.3)	(15.2)	(16.4)	(17.3)
(0.2)	2.7	(3.6)	(1.9)	(2.9)	(7.4)	(7.3)
<u>\$313.9</u>	<u>\$291.0</u>	<u>\$269.2</u>	<u>\$262.6</u>	<u>\$250.2</u>	<u>\$228.0</u>	<u>\$212.4</u>

Consolidated Statement of Current and Retained Earnings

AMERICAN METAL CLIMAX, INC.
and its Consolidated Subsidiaries

FOR THE YEARS ENDED DECEMBER 31, 1967 AND 1966

	1967	1966
Net sales	\$478,260,000	\$572,580,000
Cost of sales, exclusive of items shown separately	354,290,000	433,910,000
Depreciation and depletion (page 26)	20,950,000	22,170,000
Selling and general expenses	35,260,000	31,140,000
Expenses for exploration and general research	12,940,000	13,450,000
Taxes other than Federal and foreign income taxes	10,850,000	11,880,000
Total costs applicable to sales	434,290,000	512,550,000
Earnings from operations	43,970,000	60,030,000
Dividend income (page 18)	18,990,000	20,930,000
Interest income and net profit on investments	8,910,000	8,030,000
Interest on notes payable	(6,830,000)	(6,120,000)
Earnings from other sources	21,070,000	22,840,000
Earnings before Federal and foreign income taxes and nonrecurring gain	65,040,000	82,870,000
Federal and foreign income taxes (deferred 1967, \$1,860,000; 1966, \$3,830,000) (page 26)	12,240,000	17,270,000
Earnings before nonrecurring gain	52,800,000	65,600,000
Gain on sale of oil properties, net of applicable income tax (page 26)	3,510,000	—
Net earnings	56,310,000	65,600,000
Deduct dividends declared for the year		
Preferred stock	930,000	1,390,000
Common stock	28,530,000	28,080,000
Amount added to retained earnings for the year	26,850,000	36,130,000
Retained earnings January 1	259,990,000	223,860,000
Retained earnings December 31	\$286,840,000	\$259,990,000
Per common share:		
Earnings before nonrecurring gain	\$3.46	\$4.35
Gain on sale of oil properties, net of applicable income tax23	—
Net earnings	\$3.69	\$4.35
Dividends declared	\$1.90	\$1.90

The notes on pages 26-28 are an integral part of these financial statements.

Consolidated Statement of Financial Position

AMERICAN METAL CLIMAX, INC.
and its Consolidated Subsidiaries

DECEMBER 31, 1967 AND 1966

ASSETS

Current assets

	1967	1966
Cash	\$ 9,940,000	\$ 13,270,000
Time deposits and certificates of deposit	39,900,000	28,150,000
Short-term marketable securities, at cost (approximates market)	90,310,000	101,870,000
Accounts receivable less allowance for doubtful accounts	78,230,000	78,880,000
Inventories (page 26)	95,760,000	78,350,000
Prepaid expenses and other current assets	4,330,000	3,150,000

Total current assets	318,470,000	303,670,000
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Long-term receivables, loans, claims and charges	18,060,000	15,270,000
Investments in AMAX Credit Corporation and 50%-owned companies (page 26)	18,560,000	10,300,000
Investments in other companies (page 20)	43,490,000	46,310,000
Property, plant and equipment, at cost, less accumulated depreciation and depletion (page 26)	278,090,000	249,180,000

TOTAL ASSETS	\$676,670,000	\$624,730,000
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable and accrued liabilities	\$ 55,020,000	\$ 64,610,000
Notes payable (page 27)	4,820,000	3,820,000
Federal and foreign income taxes	13,560,000	13,260,000
Unearned treatment charges, etc., on metals in process	6,160,000	5,070,000

Total current liabilities	79,560,000	86,760,000
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Notes payable (page 27)	156,850,000	125,530,000
Deferred income taxes, reserves, etc. (page 27)	24,180,000	24,520,000

Total liabilities	260,590,000	236,810,000
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Shareholders' equity

Cumulative preferred stock	14,030,000	32,950,000
Common stock	107,400,000	88,440,000
Capital surplus	8,460,000	7,370,000
Retained earnings	286,840,000	259,990,000
Cost of treasury stock	(650,000)	(830,000)

Total shareholders' equity (page 27)	416,080,000	387,920,000
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$676,670,000	\$624,730,000
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The notes on pages 26-28 are an integral part of these financial statements.

Notes to Financial Statements

FINANCIAL STATEMENTS PRESENTATION:

The consolidated financial statements include the accounts of all subsidiaries in which a voting control of 51% or more is owned, except AMAX Credit Corporation, a wholly-owned finance subsidiary.

INVESTMENTS IN AMAX CREDIT CORPORATION AND 50%-OWNED COMPANIES:

	1967	1966
AMAX Credit Corporation	\$ 2,040,000	\$ 1,010,000
Intalco Aluminum Corporation	3,870,000	3,670,000
Intalco Tolling Corporation	1,500,000	530,000
Carborundum Metals Climax, Inc.	—	2,250,000
Missouri Lead Smelting Company	—	780,000
Mackamax Aluminium Limited	980,000	930,000
Mt. Newman Iron Ore Company Limited	—	750,000
Decatur Aluminum, Inc.	630,000	380,000
AMAX-Homestake Lead Tollers (a partnership)	8,830,000	—
Kawneer de México, S.A. de C.V.	670,000	—
Kawneer Jamaica Ltd.	40,000	—
	<u>\$18,560,000</u>	<u>\$10,300,000</u>

The company's investment in AMAX Credit Corporation and 50%-owned companies is carried at its equity in the net assets of these companies.

FEDERAL AND FOREIGN INCOME TAXES:

The investment credit is being accounted for as a reduction of Federal income taxes in the year in which the credit arises. The credit amounted to \$860,000 in 1967 and \$3,860,000 in 1966.

Deferred Federal income taxes are applicable primarily to the excess of depreciation deducted for tax purposes over the amounts charged to operations. Such deferred taxes will reduce the provision for income taxes in subsequent years when depreciation provisions charged to operations exceed those allowable for income taxes.

Federal income taxes on the sale of the oil and gas properties computed on a capital gains basis were \$4,500,000.

INVENTORIES:

	1967	1966
Metals refined and in-process at the lower of cost (primarily last-in, first-out) or market (at December 31 market quotations: 1967, \$79,870,000; 1966, \$56,070,000)	\$42,710,000	\$32,030,000
Metal fabricated products, etc. at the lower of cost (first-in, first-out) or market	27,690,000	30,440,000
Ores, concentrates and chemicals, at the lower of cost or market	15,890,000	7,010,000
Operating supplies, at cost, less reserves	9,470,000	8,870,000
	<u>\$95,760,000</u>	<u>\$78,350,000</u>

PROPERTY, PLANT AND EQUIPMENT:

	1967	1966
Mining properties and milling plants	\$198,150,000	\$160,080,000
Smelters and refineries	132,730,000	116,170,000
Oil and gas properties	20,480,000	58,720,000
Metal fabricating plants	63,840,000	50,920,000
Chemical plant	9,120,000	8,360,000
Miscellaneous property and equipment	17,640,000	16,390,000
Total cost	\$441,960,000	\$410,640,000
Less accumulated depreciation (1967, \$149,350,000; 1966, \$138,570,000) and depletion	163,870,000	161,460,000
Net book value	\$278,090,000	\$249,180,000

Charges to operations for the year:		
Depreciation	\$ 18,810,000	\$ 19,750,000
Depletion	2,140,000	2,420,000
	<u>\$ 20,950,000</u>	<u>\$ 22,170,000</u>

Depreciation and depletion are computed primarily on the straight line and unit of production methods, respectively.

NOTES PAYABLE:

	<u>1967</u>	<u>1966</u>
4½%, payable \$3,000,000 annually 1969 to 1988	\$ 60,000,000	\$ 60,000,000
4.85%, payable semi-annually in ascending amounts from \$445,775 in June, 1968 to \$1,045,800 in June, 1986 ..	26,220,000	27,090,000
6¼%, sinking fund debentures, payable \$2,200,000 annually, 1972 to 1981; balance of \$3,000,000 due 1982	25,000,000	—
5½%, payable semi-annually in ascending amounts from \$352,735 in June, 1968 to \$917,205 in June, 1987	23,160,000	23,500,000
4.85%, payable semi-annually in ascending amounts from \$125,733 in June, 1968 to \$2,150,687 in December, 1977	6,620,000	—
3½%, payable \$750,000 annually to 1970 with a final payment in 1971 of \$3,750,000	6,000,000	6,750,000
4¾%, payable semi-annually in ascending amounts from \$217,790 in June, 1968 to \$305,770 in December, 1977	5,000,000	5,000,000
Other notes payable	9,670,000	7,010,000
	<u>161,670,000</u>	<u>129,350,000</u>
Less amounts due within one year	4,820,000	3,820,000
Net long-term	<u>\$156,850,000</u>	<u>\$125,530,000</u>

Subsequent to December 31, 1967, the company borrowed \$20,750,000 under long-term note agreements to finance expansion projects and has a commitment from a group of banks permitting the borrowing of an additional \$28,000,000.

DEFERRED INCOME TAXES, RESERVES, ETC.:

	<u>1967</u>	<u>1966</u>
Deferred Federal income taxes	\$ 17,530,000	\$ 15,670,000
Reserve for pensions for United States hourly paid employees	1,660,000	1,840,000
Miscellaneous reserves and noncurrent liabilities	4,990,000	7,010,000
	<u>\$ 24,180,000</u>	<u>\$ 24,520,000</u>

SHAREHOLDERS' EQUITY:

	<u>1967</u>	<u>1966</u>
Cumulative preferred stock, \$100 par value, authorized 1,000,000 shares, issuable in series. Issued and outstanding, 4¼% convertible series: 1967, 140,259 shares; 1966, 329,451 shares	\$ 14,030,000	\$ 32,950,000
Common stock, \$1 par value, authorized 20,000,000 shares. Issued, 1967, 15,372,557 shares; 1966, 14,863,901 shares	107,400,000	88,440,000
Capital surplus (excess of proceeds over par value of common stock or cost of treasury stock issued upon exercise of stock options).	8,460,000	7,370,000
Retained earnings	286,840,000	259,990,000
	<u>416,730,000</u>	<u>388,750,000</u>
Deduct cost of common stock in treasury, 1967, 22,200 shares; 1966, 28,300 shares	650,000	830,000
Shareholders' equity	<u>\$416,080,000</u>	<u>\$387,920,000</u>

Cumulative Preferred Stock: The 4¼% convertible series is convertible into common stock of the company at the rate of 2½ shares of common stock for each share of preferred stock. At December 31, 1967 there were 350,647 shares of authorized and unissued common stock reserved for conversion. The preferred stock may be called for redemption in whole or in part at \$105 per share, graduated downward to \$100 per share after September 1, 1977 plus accrued dividends. The holders of this series are entitled to like payment on voluntary liquidation of the company and to \$100 per share, plus accrued dividends, on involuntary liquidation. The holders are also entitled to one vote for each share on all matters submitted to shareholders of the company. During 1967, 189,192 shares were converted to common stock and \$18,920,000 was transferred to the common stock account.

Dividend Limitations: Agreements entered into in connection with the notes payable impose restrictions (based on income and working capital) on the payments of cash dividends and the reacquisition of the company's capital stock. At December 31, 1967 approximately \$183,000,000 of retained earnings were free of the restrictions based on income, and working capital exceeded requirements by approximately \$99,000,000.

Stock Option Plans: At December 31, 1967 options were outstanding to purchase 131,507 shares of the company's common stock under Qualified or Restricted Stock Option Plans. Under the Restricted Stock Option Plan for Key Employees, adopted by the shareholders in 1958, the company granted to key employees options to purchase common shares of the company exercisable within seven years from the date of grant at a price not less than 95% of the market value on that date. Under the Qualified Stock Option Plan for Key Employees, adopted by the shareholders in 1964, such options may be granted during the ten-year period to May, 1974, at a price not less than 100% of the market value on the granting date, exercisable within five years from that date.

Changes in stock options during 1967 were as follows:

	Price Range Per Share	Number of Option Shares Unexercised	Available for Future Grants
Balance at January 1	\$18.30-\$43.75	184,313	289,800
Options terminated . . .	\$43.75	(11,000)	11,000
Options exercised	\$18.30-\$43.75	(41,806)	—
Balance at December 31 . .	\$24.60-\$43.75	<u>131,507</u>	<u>300,800</u>

The options are all exercisable and expire at various dates to 1972.

EMPLOYEE PENSION PLANS:

Most of the employees of the company and its subsidiaries are covered under retirement plans. The plans for salaried employees, with minor exceptions, are on a contributory basis, while hourly paid employees are generally covered under noncontributory plans negotiated with unions. The charge to income determined on an actuarial basis consistent with prior years for pension costs was \$3,600,000 for 1967 and \$3,300,000 for 1966, all of which was funded. The total of the pension funds and balance sheet accruals as of December 31, 1967 was greater than the actuarially computed value of vested benefits for all plans.

GUARANTEES:

At December 31, 1967 the company and its consolidated subsidiaries were contingent guarantors of notes and other liabilities aggregating \$33,200,000 principally in connection with the 50%-owned Intalco aluminum plant.

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS

COOPERS & LYBRAND
IN AREAS OF THE WORLD
OUTSIDE THE UNITED STATES

To the Shareholders and Board of Directors
AMERICAN METAL CLIMAX, INC.
New York, N. Y.

We have examined the consolidated statement of financial position of American Metal Climax, Inc. and its Consolidated Subsidiaries as of December 31, 1967 and the related statement of current and retained earnings and the statement of changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year 1966.

In our opinion, the above referred to financial statements (pages 24 to 28 and page 19) present fairly the consolidated financial position of American Metal Climax, Inc. and its Consolidated Subsidiaries at December 31, 1967 and 1966 and the results of their operations and changes in working capital for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery

New York, March 7, 1968

Operations and Locations

ALUMINUM

AMAX Aluminum Company Division

STEPHEN A. FURBACHER
President

AMAX ALUMINUM MILL PRODUCTS, INC.

Riverside, California
DAVID MAYERS
President

Bloomsburg, Pennsylvania
Dayton, Ohio
Elkhart, Indiana
Joliet, Illinois
Marshfield, Wisconsin
Ocala, Florida
Riverside, California
Tulsa, Oklahoma

Decatur Aluminum Company, Inc.

(50% owned)
Decatur, Alabama

HUNTER ENGINEERING CO.

Riverside, California

AMAX ALUMINUM BUILDING PRODUCTS, INC.

Evansville, Indiana
LLOYD C. WALLING
Vice President & General Manager

Aluma-Shake

Riverside, California

Sun Valley Industries, Inc.

Atlanta, Georgia
Seattle, Washington

AMAX ALUMINUM EXTRUSION PRODUCTS, INC.

St. Charles, Illinois
LAWRENCE E. DUBÉ
Vice President & General Mgr.

St. Charles, Illinois
Hernando, Mississippi

AMAX ALUMINUM FOIL PRODUCTS

St. Louis, Missouri
JOE E. ROBERSON
President

St. Louis, Missouri
Riverside, California

APEX SMELTING CO.

Chicago, Illinois
JOHN F. DEVANEY
President

Chicago, Illinois
Cleveland, Ohio
Long Beach, California

INTALCO ALUMINUM

(50% owned)
Ferndale, Washington

KAWNEER COMPANY, INC.

Niles, Michigan
CHARLES B. HUIZENGA
President

Atlanta, Georgia
Bloomsburg, Pennsylvania
Carrollton, Kentucky
Cynthiana, Kentucky
Niles, Michigan
Richmond, California

Kawneer Company Canada Limited

Toronto, Canada

South Bend Screw Products, Inc.

South Bend, Indiana

AMAX ALUMINUM INTERNATIONAL

New York, New York
ROBERT MARCUS
General Manager

Alumex, S.A. de C.V.

(50% owned)
Mexico City, Mexico

AMAX Aluminium G.m.b.H.

Rheydt, Germany

Hunter Aluminium Company Limited

Aston Clinton, Bucks, England

Kawneer Company Pty. Limited

Girraween, N.S.W., Australia

Kawneer de México, S.A. de C.V.

(50% owned)
Mexico City, Mexico
Puebla, Pue., Mexico

Kawneer Jamaica Limited

(50% owned)
Kingston, Jamaica

Mackamax Aluminium Limited

(50% owned)
Aston Clinton, Bucks, England
Runcorn, Cheshire, England

BASE METALS

AMAX Base Metals

JOHN TOWERS
Group Vice President

UNITED STATES METALS REFINING DIVISION

RICHARD E. WOLFF
President

UNITED STATES METALS REFINING COMPANY

Carteret, New Jersey

Sales and Service

New York, New York

AMAX METAL POWDERS

Iron Powder

Niagara Falls, New York

Nonferrous Powder

Carteret, New Jersey

PONCE MINING COMPANY, INC.

Utua, Puerto Rico

AMAX LEAD & ZINC DIVISION

J. GORDON McCULLOUGH
President

BLACKWELL ZINC COMPANY, INC.

Blackwell, Oklahoma

MISSOURI LEAD OPERATING COMPANY

Bixby, Missouri

AMAX LEAD COMPANY OF MISSOURI

MISSOURI LEAD SMELTING COMPANY

Sales and Service

New York, New York

HEATH STEELE MINES LIMITED

Newcastle, N.B., Canada

MOLYBDENUM AND SPECIALTY METALS

Climax Molybdenum Company Division

H. A. SAWYER, JR.
President

REUEL WARRINER
Vice President—Sales

CLIMAX MOLYBDENUM COMPANY

New York, New York

Western Operations and Research

Golden, Colorado

Molybdenum Mining

Climax, Colorado
Urad, Colorado

Molybdenum Conversion

Langeloth, Pennsylvania
Rotterdam, Holland

Refractory Metals Production

Coldwater, Michigan

Refractory Metals Sales and Service

Ann Arbor, Michigan

Research

Climax Molybdenum Company of Michigan, Inc.

Ann Arbor, Michigan
ALVIN J. HERZIG
President

Domestic Sales and Market Development

New York, Chicago, Dayton,
Denver, Detroit, Los Angeles,
Pittsburgh

International Sales and Market Development

Climax Molybdenum S.A.
Paris, France

Climax Molybdenum Company Limited
London, England

Climax Molybdenum Company
Zürich, Switzerland

Climax Molybdenum G.m.b.H.
Düsseldorf, Germany

Climax Molybdenum Development Company (Japan) Limited
Tokyo, Japan

International Sales Service Representatives

Equipamentos Industriais EISA Ltda.
São Paulo, Brazil

Railway & Power Engineering Corporation Limited
Montreal, Canada

Nichibei Boeki Company, Limited
Tokyo, Japan

Samuel Osborn (South Africa) (Pty.) Limited
Johannesburg, South Africa

Metal Distributors Limited
Bombay, Calcutta,
Madras and New Delhi, India

AMAX Nuclear Division

JOHN P. OLSSON
President

AMAX SPECIALTY METALS, INC.

Akron, New York

Fabricating Plant Sales and Service

Akron, New York

Zirconium Sponge Plant

Parkersburg, West Virginia

CLIMAX URANIUM COMPANY

Grand Junction, Colorado

Sales and Service

New York, New York

CHEMICALS AND PETROLEUM

AMAX Chemical and Petroleum Division

SOUTHWEST POTASH DIVISION

New York, New York
FRED H. STEWART
President

Domestic Sales and Service

Southwest Potash Corporation
New York, New York

Potash Mining

Carlsbad, New Mexico

Potassium Chemicals and Chlorine

Vicksburg, Mississippi

International Sales and Service

Latin America, Europe, Africa,
South East Asia, South West Asia,
Far East and Oceania

PETROLEUM DIVISION

New York, New York
JOHN F. FRAWLEY
President

AMAX PETROLEUM CORPORATION

New York, New York; Tulsa,
Oklahoma; Calgary, Canada

AMAX PETROLEUM (U.K.) LTD.

London, England

AMAX Overseas Mining Activities

JOHN PAYNE, JR.
Group Vice President

AMAX Iron Ore Corporation

New York, New York
Perth, Australia

AMAX Mineral Sales Corporation

New York, New York

AMAX Pacific Sales Corporation

New York, New York

Investments in Other Companies

O'okiep Copper Company Limited
(18% equity)
South Africa

Palabora Holdings Limited

(11% equity)
South Africa

Roan Selection Trust Limited

(44% equity)
Zambia

Tsumeb Corporation Limited

(29% equity)
South West Africa

Exploration and Mine Development

New York, New York

Tucson, Arizona

Denver, Colorado

Sydney and Perth, Australia

Toronto and Vancouver, Canada

Lima, Peru

BOARD OF DIRECTORS

FOR THE TERM ENDING 1968

A. Chester Beatty (London, England)
*Chairman, Selection Trust Limited and
Consolidated African Selection Trust Limited*

Arthur H. Dean *Partner, Sullivan & Cromwell,
General Counsel of the Company*

John P. Du Cane (London, England)
Director, Selection Trust Limited

Gabriel Hauge
President, Manufacturers Hanover Trust Company

Lawrence J. Plym

Gordon W. Reed *Consultant to the Company
and Chairman of the Finance Committee*

Fred Searls, Jr.
Director, Newmont Mining Corporation

FOR THE TERM ENDING 1969

John B. Aird (Toronto, Canada)
Partner, Edison, Aird & Berlis and Senator of Canada

Donald J. Donahue
Executive Vice President

Walter Hochschild *Honorary Chairman of the Board
and Chairman of the Executive Committee*

David D. Irwin

Harold J. Szold *Partner, Lehman Brothers*

Edward C. Wharton-Tigar (London, England)
Managing Director, Selection Trust Limited

FOR THE TERM ENDING 1970

Thomas H. Bradford (London, England)
Director, Selection Trust Limited

William A. M. Burden
Partner, William A. M. Burden & Co.

Frank Coolbaugh
Consultant to the Company

Harold K. Hochschild *Honorary Chairman
of the Board and Chairman of
the Compensation Committee*

Carl M. Loeb, Jr.
*Chairman of the Board,
American Thermocatalytic Corporation*

Ian MacGregor *President*

Organization Changes

John F. Frawley, controller since 1964, was elected to the additional post of vice president, and Richard B. Crowl was elected treasurer succeeding Donald J. Donahue who continues as executive vice president of the company. Wallace Macgregor resigned as senior executive vice president and director of the company. Paul R. Schultz resigned as a vice president of the company and president of the Chemical and Petroleum division.

OFFICERS

Ian MacGregor *President*
Donald J. Donahue *Executive Vice President*
John F. Frawley *Vice President and Controller*
Stephen A. Furbacher *Vice President*
Alvin J. Herzig *Vice President*
John Payne, Jr. *Vice President*
Ernest T. Rose *Vice President*
H. A. Sawyer, Jr. *Vice President*
John Towers *Vice President*
Reuel E. Warriner *Vice President*
Richard B. Crowl *Treasurer*
Erwin A. Weil *Secretary*

EXECUTIVE COMMITTEE

Walter Hochschild *Chairman*
Frank Coolbaugh
Arthur H. Dean
Donald J. Donahue
John P. Du Cane
Harold K. Hochschild
Carl M. Loeb, Jr.
Ian MacGregor
Lawrence J. Plym
Gordon W. Reed
Edward C. Wharton-Tigar

FINANCE COMMITTEE

Gordon W. Reed *Chairman*
William A. M. Burden
Frank Coolbaugh
Arthur H. Dean
Donald J. Donahue
Harold K. Hochschild
Walter Hochschild
Ian MacGregor
Lawrence J. Plym
Harold J. Szold
Edward C. Wharton-Tigar

General Counsel
Sullivan & Cromwell

Certified Public Accountants
Lybrand, Ross Bros. & Montgomery

Transfer Agent
Manufacturers Hanover Trust Company

Registrar
Irving Trust Company

